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SENSITIVE
SIPDIS

DEPT FOR PM/DTCC - BLUE LANTERN COORDINATOR

E.O. 12958: N/A
TAGS: [ETTC](#) [KOMC](#) [HK](#)
SUBJECT: BLUE LANTERN LEVEL 3: POST-LICENSE/PRE-SHIPMENT
END-USE CHECK ON LICENSE 050207857

REF: SECSTATE 1592

¶1. (SBU) Per reftel request, Post conducted post-license/pre-shipment check on license 050207857 for the export of grenade and grenade launchers to Hong Kong. After meeting with the parties to this license (Props Co. Ltd. and Hong Kong Special Administrative Region Immigration Department), Post's Blue Lantern Coordinator (BLC) and Economic Officer established the bona fides of this transaction and assessed the Hong Kong Immigration Department as a reliable recipient of reftel items.

Props Co. Ltd.

¶2. (SBU) On January 20, BLC and EconOff visited Props Co. Ltd. (Props) and met with its Managing Director, Eddie Ho Ying-Hang. Established in 1987, Ho's current principals are Mr. Ho, Ho's spouse (Agnes Seto Yiu Nin; Canadian), and Ho's mother (Tam Suk Chun; Australian). Props currently has six employees.

¶3. (SBU) Props serves three types of clients: (1) the movie filming industry in Southeast Asia; (2) Hong Kong Government (HKG) security and law enforcement agencies (disciplined services); (3) and civilian sport shooters in Hong Kong.

- i. Props provides a wide selection of special-effect (deactivated) firearms, secure weapons storage, movie props, as well as "on-the-set" professional weapons handling skills training to the movie filming industry.

- ii. Props advises, assists in drafting documentation, and procures weapons and ammunition on behalf of HKG's disciplined services, including the Hong Kong Police Force (HKPF), the Correctional Services Department (CSD), Hong Kong Customs and Excise Department (HKCED), and the Hong Kong Immigration Department (ID).

- iii. Props also provides secure weapons storage to HKG-licensed civilian sport shooters. Hong Kong's strict legislation on weapons and ammunition bans all non-HKG law enforcement personnel from storing weapons and/or ammunition anywhere other than at HKPF-authorized venues such as Props.

¶4. (SBU) Props' sales of U.S.-origin defense articles depend on the operational equipment needs of Hong Kong's disciplined services and are prompted by government tenders. Average annual sales range from US\$1-1.5 million. Past products for the HKG have included Smith and Wesson pistols, carbines, and ammunition. Ho said Props had never sold U.S.-origin defense

articles to customers outside of Hong Kong. However, Ho disclosed Props had sold non-U.S. law enforcement equipment to the Macau SAR Government. Ho demonstrated to us his knowledge of regulations governing the sale of U.S.-origin defense articles to nearby jurisdictions, including mainland China and Macau. For example, when Macau law enforcement officials approached him for the procurement of firearms, he supplied them with articles from Brazil which were not subject to U.S. export rules, he said.

15. (SBU) Props is a procurement "middle-man" in reftel transaction. The U.S. exporter will ship the items directly to the end-user, the Hong Kong Immigration Department (ID). Props will not take physical possession of the items, although it will arrange transportation within Hong Kong. Props will receive a commission from the manufacturer, Ho said. He provided copies of: the End-User Certificate from the Immigration Department; the DSP-83 Non-transfer and Use Certificate; the Purchase Order from the ID; and the HKG-issued Import Certificate.

16. (SBU) Props maintains a very low profile, operating out of the basement of the business center where it has its office. Its facilities appear very secure. CCTV cameras cover the office's entrance, lobby area, and interior. Personnel maintain controlled access at the front, lobby, and interior doors. The office houses a safe for explosives and ammunition as well as a larger two-section vault for weapons storage. The outer vault section has a combination-locked heavy-duty door. Props stores decommissioned weapons for movies within this first section of the vault. Inside, a second combination-locked door secures the live-weapons

storage section of the vault. Ho said the HKPF and HKCED conducted monthly site inspections of his premises. Furthermore, the Police's Forensics Firearms Examination Bureau inspected each decommissioned weapon every three years to ensure the weapons remained inactive and mechanically safe.

17. (SBU) Ho showed familiarity with the regulations governing the import of U.S.-origin defense articles, including restrictions on unauthorized re-transfer or re-export. Ho was less familiar, however, with the regulations governing brokers and the requirement for brokers to register with the U.S. Department of State (i.e., he was uncertain if he was considered a broker and unaware of the procedures for registering). BLC provided Ho with contact information for the Department's Directorate of Defense Trade Controls (DDTC) Response Team and encouraged him to seek clarification on the matter.

Hong Kong SAR Immigration Department (ID)

18. (SBU) On January 26, Post's BLC and EconOff met with Ms. Yu Mei-kow, Chief Immigration Officer for Service Support, and Mr. Yuen Wai-leuk, Assistant Quartermaster and Senior Immigration Officer for Service Support, at the Hong Kong Immigration Tower. Ms. Yu confirmed that the ID had ordered the defense articles listed on the license. Ms. Yu and Mr. Yuen also provided copies of the transaction's purchase order and the DSP-83.

19. (SBU) Ms. Yu verified the exact types and quantities of defense articles ordered based on the ID's purchase order. She explained the ID selected the items for riot suppression with "minimum force" and "minimum harm." The ID planned to use the items at Hong Kong's Castle Peak Bay Immigration Centre (CIC), a detention facility housing adult offenders who have violated Hong Kong's Immigration Ordinance, awaiting repatriation, removal, or deportation. The Correctional Services Department (CSD) has operated the CIC since 2005 but will relinquish management and operations responsibilities to the ID in April 2010. In preparation, approximately 130 immigration officers have received training from CSD, including use of reftel items. ID also relied on CSD for the selection of reftel items. CSD maintains similar items in its operational inventory.

¶10. (SBU) Reftel items will be stored at the CIC's armory, currently utilized by CSD. We note reftel request did not include the CIC address: 84 Castle Peak Road, Tuen Mun; CIC points of contact are WS Poon, phone: (852) 3693-8352, and Ms. Yu, phone (852) 2829-3919. BLC encouraged Ms. Yu to contact the DDTC Response Team and notify them that the ID would store and use reftel items at the CIC, rather than the Immigration Tower.

¶11. (SBU) Although the ID purchased the articles from Props, Props will only handle documentation and delivery formalities. Props will not take physical possession of the items. Should the items arrive at the CIC before the ID takes over operations, then CSD would assume temporary control of reftel items. As explained above, CSD currently operates the CIC.

Import/Export Authorities and Law Enforcement

¶12. (SBU) Hong Kong's Trade and Industry Department (TID), Strategic Trade Control Branch, is the HKG entity overseeing the import and export of controlled commodities and U.S.-origin defense items. TID Trade Officer C. S. Lau informed EconOff on January 29 that Props Co. Ltd. was properly authorized to import, broker, and/or sell defense articles in Hong Kong. Furthermore, Lau stated Props held a HKPF-issued arms dealer's license to "store, sell, procure, and repair arms and ammunition on the condition that services should only be provided to holders of a valid HKPF-issued firearm owner's permit." Contacts from the HKPF further confirmed to EconOff on January 29 that they maintained a long-standing relationship with Props Co. Ltd. and described Props as a "highly reputable entity" for the procurement of the Force's weapons, ammunition, and non-lethal law enforcement equipment.

Assessment

¶13. (SBU) Based on the site visits and personal interviews, Post established the bona fides of this transaction and the parties involved, and assessed the Hong Kong Immigration Department as a reliable recipient of reftel items.
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